

SELECTING A BUSINESS LOCATION

There are many factors to consider in selecting a site for your business. The choice of a location may have a profound effect on the success of your business. Therefore, this aspect of your planning should be given the utmost consideration.

Some of the items to research and assess include the following:

Buy or Lease

One of the first decisions you must make is whether to purchase property and construct a new building, modify the existing building to meet your needs, or lease a site and arrange tenant improvements. There are many issues to consider in making this decision. You should consult with an attorney, accountant, banker and real estate professional for assistance and information.

Client Base

Where are your current and targeted customers located? Use a map and pins to identify client locations. This information will assist you in selecting a site.

Traffic Count

Determine the traffic (foot or auto) passing potential sites. You can make this study or in many cases the city, county or state traffic engineers will provide official counts of auto traffic. Commercial real estate agencies often have considerable research data on this subject.

'Going to Work' Side of the Street

Some retail products and services are most attractive to customers on their way to work. Examples include coffee and pastry shops.

'Going Home' Side of the Street

Most people prefer to shop on the way home. Therefore, the potential site should be on the appropriate side of the street to make shopping on the way home easy. Some chambers of commerce have very detailed studies of traffic, existing business data and other valuable information.

Contact your local chamber of commerce for more information and assistance. Refer to the index on page 66 for the phone number of your local chamber.

Demographics

What changes are taking place in that area? Is the population age shifting? What is the income level? Does the local population fit your target market profile? The U.S. Census Bureau provides considerable information on these and other related items. The telephone number is 800-253-1882. The local chamber of commerce and library usually have information on area demographics.

Type of Site

Commercial locations include individual or stand-alone buildings, neighborhood strip centers with a few stores, power centers with a major tenant and several complementary businesses, and regional malls, usually with three or more major anchor stores.

Nearby Stores

Are neighboring stores compatible or complementary to your business? Will they help attract business to your establishment?

Parking

Does the site provide adequate parking for your customers and employees? Will your customers have to compete with employees of the area businesses to find a place to park? Is the parking lot easy to enter and exit? What is the overall condition of the parking lot? Is it well-illuminated at night? Is it well-maintained or does oil from parked cars accumulate and get tracked into the businesses? Is adequate parking provided for handicapped customers?

Condition of the building

Carefully check the condition of the building and calculate the modifications required to meet your needs. Do the building and property meet current zoning and other local requirements? Has the owner maintained the building and property or is the location in need of repair? What do other tenants say about the owner's willingness to make repairs and do preventive maintenance?

History of the site

Why is the potential location available? How long has the site been vacant? What caused the previous tenant to leave? If several businesses have failed at that site, you may wish to carefully consider your odds for success.

Total cost of the lease

Cost of the lease is calculated a number of ways.

Some items to consider include responsibility for:

- Exterior building maintenance
- Modification to meet your initial needs
- Common area expenses
- Insurance
- Utility costs including air conditioning
- Security services
- Taxes
- Flat lease rate and/or percentage of your business revenue
- Increase in lease based on changes in the consumer price index

Terms of the lease

Lease terms can be confusing to the business owner. Many commercial real estate brokers provide a glossary of terms commonly used in leasing space to businesses. Your local library has books and periodicals that cover this subject.

Other considerations include dispute resolution, required hours open for business, and whether future expansion is possible at reasonable rates.

Professional representative

You should obtain professional assistance in negotiating a commercial lease. Leasing agents or brokers fall into two categories - those who represent building owners and those who represent tenants. Lease negotiations may directly affect the success or failure of your business. Therefore, you should always obtain the professional assistance of your own real estate broker, attorney, accountant, insurance agent, banker and architect.

While many of these items may not seem important when you are beginning to look for a business site, they are extremely important to the long-term success of your business. Choose your business location carefully.